



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 15, 2012

Honorable John Chiang  
Controller, State of California  
P.O. Box 942850  
Sacramento, CA 94250-5872

Dear Mr. Chiang:

**REPORT ON AGREED-UPON PROCEDURES AUDIT PURSUANT TO ABX1 26  
OF THE FORMER REDEVELOPMENT AGENCY OF  
THE CITY OF WEST HOLLYWOOD**

California Health and Safety Code (HSC) Section 34182 requires each county Auditor-Controller (A-C) to conduct, or cause to be conducted, an agreed-upon procedures (AUP) audit of each former redevelopment agency (RDA or Agency) in their respective county by July 1, 2012. On June 27, 2012, State Assembly Bill 1484 (AB 1484) extended the July 1 deadline to October 1, 2012. The audits are to establish each RDA's assets and liabilities; to document and determine each agency's pass-through payment obligations to other taxing entities; and to determine and document the amount and terms of any indebtedness incurred by the former RDA.

We have completed the AUP engagement of the former RDA of the City of West Hollywood, the results of which are attached. The procedures performed were agreed upon by the California State Controller's Office, California Department of Finance (Finance), and Los Angeles County (LAC) A-C. The initial Recognized Obligation Payment Schedule (ROPS) was prepared by, and is the responsibility of, the RDA's Successor Agency's management. Our responsibility was to apply the AUP.

Some of the AUP required legal determinations of whether the obligations were properly authorized, complied with applicable laws and regulations, and were binding on the Agency. We have utilized the Office of the County Counsel to provide the legal determinations required by the AUP. The results of County Counsel's legal analysis are presented in Attachment E.

Except for those obligations listed as "questionable" or "unenforceable", the obligations we reviewed are, to the best of our knowledge, allowable pursuant to the HSC prior to the passage of AB 1484. Questionable and unenforceable obligations identified during

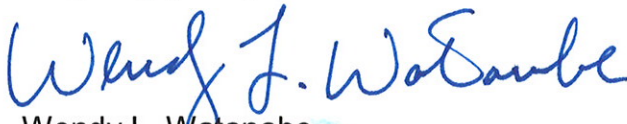
this engagement are summarized in Exhibit 1. Supporting documentation related to terms and amounts for each obligation reviewed during this engagement are available for review upon request.

The AUP were completed by Simpson & Simpson, LLP, an independent Certified Public Accounting (CPA) firm, and LAC A-C staff. The attached documents constitute our report on the AUP and include a summary of the review of a sample of obligations from the Agency's ROPS (Exhibit 1); the AUP (Attachment A); the results of procedures performed by the independent CPA firm (Attachments B and C); and the results of procedures performed by A-C staff (Attachment D). In addition, we have attached an analysis prepared by our County Counsel (Attachment E) for those ROPS items that required additional review; and a copy of the Finance ROPS review and final approval letter (Attachment F).

This report is intended solely for the information and use of the LAC A-C, the Successor Agency, the Successor Agency Oversight Board, and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

If you have any questions regarding these reports, please contact the RDA Audit Manager at [RDAaudits@auditor.lacounty.gov](mailto:RDAaudits@auditor.lacounty.gov).

Very truly yours,



Wendy L. Watanabe  
Auditor-Controller

WLW:JET:JLS:SJL

Attachments

- c: Ana J. Matosantos, Director, California Department of Finance  
Successor Agency Oversight Board  
David A. Wilson, Interim Finance Director, Successor Agency of the Former RDA  
for the City of West Hollywood

**Review of a Sample of Obligations from the Recognized Obligation Payment Schedule for the Successor Agency of the City of West Hollywood RDA**

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State Department of Finance – Approval Letter

The original Recognized Obligation Payment Schedule (ROPS) submitted by the Successor Agency of the City of West Hollywood RDA totaled **\$156,728,923.35**. The final ROPS approved by the State Department of Finance (Finance) totaled **\$156,728,923.35**. Finance determined that all items on the July 1 to December 31, 2012 ROPS were enforceable obligations.

Questionable Obligations

The agreed-upon procedures performed by the independent CPA firm and the Auditor-Controller (A-C) determined that the following sample item for period January 1, 2012 to June 30, 2012 was a questionable obligation:

Project Name/Debt Obligation	Description	Total Outstanding Debt or Obligation
Public Works and Affordable Housing- Eastside Project Area	Cooperation Agreement	\$54,500,000
Total		\$54,500,000

The amount identified by the CPA firm was subsequently removed from the final approved ROPS.

Unenforceable Obligations

The legal analysis performed by our County Counsel identified \$54,500,000 in unenforceable obligations that were subsequently removed from the final approved ROPS.

June 2012 Disbursement to Successor Agency

The total obligations approved for the six-month period from July 1 to December 31, 2012 by Finance is **\$2,321,448.00**. Based on the available RDA funds, less pass-through payments paid directly by the A-C and the administrative fees, the A-C remitted **\$2,321,448.00** for the six-month period from July 1 to December 31, 2012 to the Successor Agency, City of West Hollywood on June 1, 2012.

**County of Los Angeles  
Report on Applying Agreed-Upon Procedures  
Pursuant to the Redevelopment Agency  
Dissolution Bill (ABx1 26) of 2011  
City of West Hollywood, California**

**County of Los Angeles  
Agreed-Upon Procedures Engagement  
Pursuant to the Redevelopment Agency  
Dissolution Bill (ABx1 26) of 2011  
Successor Agency  
City of West Hollywood, California**

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Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the agreed upon procedures enumerated in the Auditor-Controller's statement of work, Attachment A, which were generally agreed to by the California State Controller's Office, Department of Finance, and the Los Angeles County Auditor-Controller, solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency, **City of West Hollywood** is responsible for the accounting records pertaining to statutory compliance. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures at your direction as set forth in Attachment A. Attachment B identifies the findings noted as a result of the procedures performed.

The Enforceable Obligation Payment Schedule (EOPS) and Recognized Obligation Payment Schedule (ROPS) in Attachment B-1 and Attachment B-2, respectively, are provided by the Auditor-Controller. Attachment C is the Comparative Asset Balance Schedule.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Comparative Assets Balance Schedule, the EOPS, the ROPS, or as to the appropriateness of the results summarized in Attachment B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the successor agency City of West Hollywood, and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Los Angeles, California  
June 19, 2012



The CPA. Never Underestimate The Value.™

**County of Los Angeles  
Agreed-Upon Procedures Engagement  
Pursuant to the Redevelopment Agency  
Dissolution Bill (ABx1 26) of 2011  
Successor Agency  
City of West Hollywood, California**

**AGREED-UPON PROCEDURES AND RESULTS**

**A. Redevelopment Agency Dissolution and Restrictions**

For each former RDA reviewed, perform the following:

1. Based on the Enforceable Obligation Payment Schedule (EOPS) for the period August 1 through December 31, 2011 provided by the Auditor-Controller (see Attachment B-1):
  - a. For each obligation highlighted in yellow with black font on the EOPS, identify the payee, a description of the nature of the work/service agreed to, and the amount of payment(s) made by month through December 31, 2011, and compare it to the legal document that forms the basis for the obligation. Note any discrepancies. Any obligations for which the successor agency cannot produce a supporting legal document, or for which the supporting legal document does not support the obligation, should be noted as "questionable" in the AUP report.

For each obligation highlighted in yellow with red font on the EOPS, obtain documentation and forward them to the Auditor-Controller for County Council review. Also, compare the dollar amount of the obligation to the documentation obtained. Note any discrepancies. Any obligations, for which the successor agency cannot produce documentation, should be noted as "questionable" in the AUP report.

***Result***

No exceptions were found as a result of applying the procedure.

- b. Identify all obligations listed on the EOPS that were entered into after June 29, 2011.

***Result***

No exceptions were found as a result of applying the procedure.

2. Based on the EOPS for the period January 1 through June 30, 2012 provided by the Auditor-Controller (see Attachment B-1):
  - a. Identify and document the project name and project area associated with each obligation.

***Result***

No exceptions were found as a result of applying the procedure.



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**AGREED-UPON PROCEDURES AND RESULTS**

**A. Redevelopment Agency Dissolution and Restrictions (Continued)**

2. Based on the EOPS for the period January 1 through June 30, 2012 provided by the Auditor-Controller (see Attachment B-1) (Continued):

- b. For each obligation highlighted in yellow with black font on the EOPS, identify the payee, a description of the nature of the work/service agreed to, and the amount of payment(s) made by month through June 30, 2012, and compare it to the legal document that forms the basis for the obligation. Note any discrepancies. Any obligations for which the successor agency cannot produce a supporting legal document, or for which the supporting legal document does not support the obligation, should be noted as “questionable” in the AUP report.

For each obligation highlighted in yellow with red font on the EOPS, obtain documentation and forward them to the Auditor-Controller for County Council review. Also, compare the dollar amount of the obligation to the documentation obtained. Note any discrepancies. Any obligations, for which the successor agency cannot produce documentation, should be noted as “questionable” in the AUP report.

***Result***

No exceptions were found as a result of applying the procedure.

- c. Identify all obligations listed on EOPS that were entered into after June 29, 2011.

***Result***

No exceptions were found as a result of applying the procedure.



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**AGREED-UPON PROCEDURES AND RESULTS**

**A. Redevelopment Agency Dissolution and Restrictions (Continued)**

3. With regard to the Low and Moderate Income Housing Fund (L&M Fund) of the former redevelopment agency:

- a. Inquire and document whether the former redevelopment agency transferred the L&M Fund to the successor agency.

***Result***

The successor agency, City of West Hollywood, has represented to us that the L&M Fund was transferred to the City of West Hollywood and not transferred to the successor agency. The City of West Hollywood, transferred the L&M Fund by means of retitling the L&M Fund from "RDA Low & Moderate Housing Fund" to "Successor Agency of Low/Moderate Housing Fund" on February 7, 2012, the day after the Resolution No. 12-4266 was passed whereby the City elected to retain its Housing Assets and functions. The accounting structure was not changed and the L&M Fund No. 305 remained the same. No journal or general ledger entries were recorded and no separate bank account was established.

- b. If the L&M Fund was transferred, document the date of transfer and summarize the manner in which the transfer was performed. (e.g., the accounting fund, X, and bank account, Y, were retitled in the name of the successor agency).

***Result***

The L&M Fund was transferred to the City of West Hollywood and not transferred to the successor agency; therefore, the procedure was not performed.

- c. Document the total value of the L&M Fund transferred to the redevelopment agency's successor agency and the date of transfer.

***Result***

The L&M Fund was transferred to the City of West Hollywood and not transferred to the successor agency; therefore, the procedure was not performed.

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**AGREED-UPON PROCEDURES AND RESULTS**

**A. Redevelopment Agency Dissolution and Restrictions (Continued)**

4. With regard to the housing activities and assets of the former redevelopment agency:

- a. Inquire and document whether the housing activities and/or assets were transferred to the successor agency.

***Result***

The successor agency, City of West Hollywood, has represented to us that the Housing functions and activities were transferred to the City of West Hollywood and not transferred to the successor agency. We were provided with Resolution 12-4266 whereby the City of West Hollywood elected to retain without limitation all of the housing assets and functions previously performed by the former RDA.

- b. If housing activities were transferred, obtain the underlying documentation authorizing the transfer (e.g. resolution of the city or county assuming the housing activity from the redevelopment agency).

***Result***

Housing activities and/or assets were transferred to the City of West Hollywood and not transferred to the successor agency; therefore, the procedure was not performed.

- c. If the transfer included assets, obtain a list of the assets and their reported value from the successor agency.

***Result***

Housing activities and/or assets were transferred to the City of West Hollywood and not transferred to the successor agency; therefore, the procedure was not performed.

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**AGREED-UPON PROCEDURES AND RESULTS**

**B. Successor Agency**

2. With regard to the administrative responsibilities and assets of the former redevelopment agency:

- a. Inquire and document whether the former redevelopment agency transferred its administrative responsibilities to the successor agency (e.g., documents and records, etc), and the date of the transfer.

***Result***

The successor agency, City of West Hollywood, has represented to us that the administrative responsibilities of the former redevelopment agency were transferred to the successor agency. The City provided us with Resolution No. 11-4219 which was approved on September 19, 2011.

- b. Inquire whether the former redevelopment agency transferred assets other than real property to the successor agency.

***Result***

The successor agency, City of West Hollywood, has represented to us that the former redevelopment agency has transferred assets other than real property to the successor agency.

- c. If assets other than real property were transferred, document the transfer date, and summarize the manner in which the transfer(s) were performed (e.g., accounting fund, X, and bank account, Y, were renamed in the name of the successor agency), and the total value of the assets transferred.

***Result***

The successor agency, City of West Hollywood, transferred assets other than real property by means of renaming all of the former RDA Fund titles on February 1, 2012 when the dissolution bill went into effect and the Successor Agency came into existence. Fund numbers of the former RDA remained the same. No journal or general ledger entries were recorded and no separate bank account was established. The successor agency has provided us with trial balances for all the former RDA funds as of January 31, 2012 reflecting a total value of \$35,885,117. The successor agency also presented to us that of the total value, \$31,292,052 is a restrict asset (bond proceeds and bond reserves) held with trustees.

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**AGREED-UPON PROCEDURES AND RESULTS**

**A. Agency (Continued)**

2. With regard to the administrative responsibilities and assets of the former redevelopment agency (Continued):

<b>Date</b>	<b>Assets</b>	<b>Balance</b>
1/31/2012	Fund 304 (Successor Agency of RDA) General Cash Investments, Receivables, and Restricted Cash with Fiscal Agent	\$ 15,014.82
1/31/2012	Fund 306 (Plummer Park Capital Improvement Fund) General Cash, Investments, and Restricted Cash with Fiscal Agent	31,630,636.14
1/31/2012	Fund 404 (Successor Agency of RDA Debt Service) General Cash, Investments, Receivables, and Restricted Cash with Fiscal Agent	4,239,466.04
	<b>Total Assets (Funds 304, 306, 404)</b>	<b>\$ 35,885,117.00</b>

- d. Inquire if real property was transferred from the former redevelopment agency to the successor agency.

***Result***

The successor agency, City of West Hollywood, has represented to us that the former redevelopment agency of the City of West Hollywood did not transfer real property to the successor agency.

- e. If real property was transferred, examine and document evidence of the transfer(s), such as re-recorded titles filed at the Registrar-Recorder/County Clerk.

***Result***

Real property was not transferred to the successor agency; therefore, the procedure was not performed.

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**AGREED-UPON PROCEDURES AND RESULTS**

**B. Successor Agency (Continued)**

3. Determine if the successor agency established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

***Result***

The successor agency, City of West Hollywood, has established the Redevelopment Obligation Retirement Fund in its accounting system by renaming the title of former RDA Fund No. 403 from "Debt Service Fund" to "Obligation Payment Fund".

4. Obtain audited financial statements of the redevelopment agency for the fiscal years ended June 30, 2010 and June 30, 2011. Prepare a schedule listing the name and balance of each asset shown in the government-wide financial statements for each of the two years, as of June 30th (or fiscal year end, if different). Obtain unaudited asset balances as of January 31, 2012 from the successor agency which are comparable to the 2010 and 2011 amounts and include those on the schedule (marked as "unaudited"). If the successor agency is unable to provide comparable balances, indicate the reason and leave the 2012 column blank. Include the comparative asset listing as an attachment to the AUP report.

***Result***

We performed the procedure and the result is presented in the Comparative Asset Balance Schedule in Attachment C.

**C. Draft Recognized Obligation Payment Schedule (ROPS)**

5. Obtain a list of all payments from the successor agency's general ledger for the period February 1 through May 1, 2012. Trace and agree all payments made by the successor agency to a corresponding obligation on the draft ROPS provided by the Auditor-Controller (Attachment B-2). Note any discrepancies.

***Result***

Except for the discrepancies described in Finding Nos. 2 and 3 in Attachment B, no exceptions were found as a result of applying the procedure.

**County of Los Angeles  
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**AGREED-UPON PROCEDURES AND RESULTS**

**C. Draft Recognized Obligation Payment Schedule (ROPS)**

6. Compare each obligation highlighted in yellow with black font on the ROPS provided by the Auditor-Controller (Attachment B-2) to the legal document that forms the basis for the obligation (e.g. contract, bond indenture, etc.) Note any discrepancies. Any obligations for which the successor agency cannot produce a supporting legal document, or for which the supporting legal document does not support the obligation, should be noted as “questionable” in the AUP report.

For each obligation highlighted in yellow with red font on the ROPS provided by the Auditor-Controller (Attachment B-2), obtain documentation and forward them to the Auditor-Controller for County Council review. Also, compare the dollar amount of the obligation to the documentation obtained. Note any discrepancies. Any obligations, for which the successor agency cannot produce documentation, should be noted as “questionable” in the AUP report.

***Result***

Except for the discrepancies described in Finding No. 1 in Attachment B, no exceptions were found as a result of applying the procedure.

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**SCHEDULE OF FINDINGS**

**Finding No. 1 – Supporting Documentation for Obligations Was Not Provided**

In performing procedure C.6, the following obligations are noted as questionable.

<b>ROPS No.</b>	<b>Project Name / Debt Obligation</b>	<b>Payee</b>	<b>Obligation Amount</b>
12	Public Works and Affordable Housing with Redevelopment Project Area / Eastside Project Area	City of West Hollywood / Cooperation Agreement for construction of Public Works and Affordable Housing Projects.	\$ 54,500,000

Upon request, the Successor Agency provided us with a detailed schedule listing the breakdown supporting the total the obligation reported. The following is the information provided by the Successor Agency:

<b>Item #</b>	<b>Project Name</b>	<b>Estimated Cost (in millions)</b>	<b>Note</b>
1	Plummer Park Rehabilitation and Parking	\$ 31.0	A
2	<i>Sewer Renovation</i>	1.0	B
3	<i>La Brea Streetscape</i>	1.5	B
4	<i>Neighborhood Landscape and Lighting Program</i>	1.0	B
5	<i>Brownfields Clean Up Santa Monica Boulevard</i>	4.0	B
6	Alternative Living for Ageing – 17 Units	2.5	C
7	La Brea Apartment Construction – 32 Units	3.5	D
8	<i>Affordable Housing Project – 40 Units</i>	4.0	B
9	<i>Affordable Housing Acquisition and Rehabilitation</i>	4.0	B
10	West Hollywood Community Housing Corporation – Disable Access, Maintenance and Rehabilitation	2.0	D
Total:		<b>\$ 54.5</b>	

Note A: The Successor Agency provided us with a copy of the bond indentures and a cooperative agreement between the City of West Hollywood and The West Hollywood Community Development Commission (former Redevelopment Agency of the City of West Hollywood); however, no third party contracts were entered into as of May 1, 2012 as these projects were still in the planning stage. As such, these obligations are questionable. The Successor Agency represented to us that these projects are considered enforceable obligations because the bond covenants for the Agency's 2011 bonds specified the bond proceeds shall be used for the projects and the bond covenants are legally binding and enforceable agreements in according with Section 34167(d)(5).



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**SCHEDULE OF FINDINGS**

Finding No. 1 – Supporting Documentation for Obligations Was Not Provided (Continued)

Note B: According to the Successor Agency, the item numbers 2 – 5 and 8 – 9 were removed on its final ROPS and therefore, no documentation was provided for our review. As such, the obligations are questionable.

Note C: This obligation of \$2.5million is included as item number 5 on the draft ROPS. Therefore, this obligation is questionable.

Note D: The Successor Agency provided us with the project information and the Resolution (No. CDC 11-053) as support for the obligation. However, no third party contracts were entered before June 29, 2011. As such, the obligation is questionable. The Successor Agency represented to us that these projects are considered enforceable obligations because the bond covenants for the Agency's 2011 bonds specified the bond proceeds shall be used for the projects and the bond covenants are legally binding and enforceable agreements in according with Section 34167(d)(5).

Finding No.2 – Payments Made Not Listed on the Draft ROPS

In performing procedure C.5, we noted that the following payments were not included in the draft ROPS.

<b>Payee</b>	<b>Description</b>	<b>Post Date</b>	<b>Payment Amount</b>
Richards Watson & Gershow	Housing & Rent Stabilization	2/21/2012	\$ 1,840.85 <sup>1</sup>
Lance Soll	FY WHRDA Audit/Final	2/13/2012	700.00
Detroit Garden Building	Lease for April	2/12/2012	3,000.00 <sup>1</sup>
Arnold, Abby	Housing & Rent Stabilization	3/12/2012	2,200.00 <sup>1</sup>
			<b>\$ 7,740.85</b>

<sup>1</sup>The successor agency subsequently removed the charges from the Fund 304 and provided us with the detailed ledgers showing the expenditure was reversed accordingly.

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**SCHEDULE OF FINDINGS**

**Finding No.3 – Discrepancies between the Payments and Obligation Amounts on the Draft ROPS**

In performing procedure C.5, we noted the following discrepancies between the payments made by the successor agency, City of West Hollywood for the period February 1, 2012 through May 1, 2012 and the obligation amounts on the ROPS provided by the Auditor.

Actual Payment				Per Draft ROPS								
Payee	Description	Post Date	Payment Amount	ROPS No.	Payee	Total Due from Jan - June, 2012	Jan	Feb	Mar	Apr	May	Jun
Beacon House Association	Public Works and Affordable Housing	2/7/2012	244.26									
LBM/Moving Boxes	Public Works and Affordable Housing	2/7/2012	1,974.57									
CA Averland Construct	Public Works and Affordable Housing	2/14/2012	816.00									
Beacon house Assoc	Public Works and Affordable Housing	3/5/2012	2,344.29									
Herry Int. Inc.	Public Works and Affordable Housing	3/15/2012	8,810.00									
Hary Int. Inc.	Public Works and Affordable Housing	3/15/2012	11,210.80									
Hary Int. Inc.	Public Works and Affordable Housing	4/10/2012	7,474.83									
Redesign, Brooks + Scarpa Architech	Public Works and Affordable Housing	2/21/2012	3,435.00									
Redesign, Brooks + Scarpa Architech	Public Works and Affordable Housing	2/22/2012	13,520.50									
Redesign, Brooks + Scarpa Architech	Public Works and Affordable Housing	2/22/2012	632.00									
Redesign, Brooks + Scarpa Architech	Public Works and Affordable Housing	3/2/2012	3,040.00									
Redesign, Brooks + Scarpa Architech	Public Works and Affordable Housing	3/2/2012	38,490.00									
Redesign, Brooks + Scarpa Architech	Public Works and Affordable Housing	3/2/2012	1,305.00									
Workplays Studio Architech	Public Works and Affordable Housing	3/6/2012	710.00									
Workplays Studio Architech	Public Works and Affordable Housing	4/9/2012	67.34									
94,074.59				12	City of West Hollywood	11,682,643	5,501,700	717,281	793,781	2,431,281	1,082,000	1,156,600

City Manager Payroll	Employee Costs	4/11/2012	9,518.58									
Finance Administration Payroll	Employee Costs	4/11/2012	2,904.74									
Revenue Management Payroll	Employee Costs	4/11/2012	2,501.42									
General Accounting Payroll	Employee Costs	4/11/2012	2,426.39									
Budget & Compensation Payroll	Employee Costs	4/11/2012	2,456.54									
Housing&Rent Stabilization Administration Payroll	Employee Costs	4/11/2012	136,509.86									
Housing&Residential Code Compensation Payroll	Employee Costs	4/11/2012	11,054.35	7	Employees of Agency	210,660	35,110	35,110	35,110	35,110	35,110	35,110

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SCHEDULE OF FINDINGS

Finding No.3 – Discrepancies between the Payments and Obligation Amounts on the Draft ROPS  
 (Continued)

Actual Payment				Per Draft ROPS								
Payee	Description	Post Date	Payment Amount	ROPS No.	Payee	Total Due from Jan - June, 2012	Jan	Feb	Mar	Apr	May	Jun
La Brea xfr Loan Bal: Lawyers Title Company - Wire transfer	Pre-Development Loan	2/21/2012	276,770.81	6	West Hollywood Community Housing Corporation - Loan for Affordable Housing Project*	-	-	-	-	-	-	-
Project Advisory Committee	Operating Costs	3/12/2012	1,088.88	10	Project Advisory Committee	10,500	1,750	1,750	1,750	1,750	1,750	1,750

*\*the total obligation amount reported on the draft ROPS for item number 6 (the Project Advisory Committee) amounted to \$644,277 for the month of November 2011.*

Name of Redevelopment Agency:

West Hollywood Redevelopment Agency

ATTACHMENT B-1

Project Area(s)

Eastside Project Area

## ENFORCEABLE OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34167 and 34169

February 21, 2012

(Unaudited - Aug 2011 - Jun 2012)

	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month
						Total
1	Employee Costs	Employees of agency	Payroll for employees	421,314.00	421,314.00	368,655.00
2	Operating Costs	Operation of agency	General operation costs	29,329.00	29,329.00	25,662.00
3	Operating Costs	East Side Project Advisory Committee	Administrative and Meeting Expenses for Committee	21,000.00	21,000.00	17,500.00
Totals - This Page				\$ 471,643.00	\$ 471,643.00	\$ 411,817.00

### HIGHLIGHT LEGEND:

BLACK FONT/YELLOW HIGHLIGHT	CPA Firm to review validity and amount of obligation.
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### RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34177

FISCAL YEAR 2011 - 2012

(Unaudited - Aug 2011 - Jun 2011)

	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month
						Total
1)	2003 Tax Allocation Bonds	Bank of New York	Bonds issued to fund housing and non-housing projects	10,053,972.00	780,940.00	780,940.00
2)	2011 Tax Allocation Bonds Series A	Bank of New York	Bonds issued to fund non-housing projects	30,607,700.00	3,503,365.00	3,503,365.00
3)	2011 Tax Allocation Bonds Series B	Bank of New York	Bonds issued to fund housing projects	9,467,700.00	1,348,281.00	1,348,281.00
4)	<b>City Loans</b>	<b>City of West Hollywood</b>	<b>Loans for various redevelopment projects</b>	<b>25,750.00</b>	<b>600,000.00</b>	<b>550,000.00</b>
5)	Pre-Development Loan	Alternative Living for the Aging	Loan for affordable housing project	2,482,025.00	2,482,025.00	2,482,025.00
6)	Pre-Development Loan	West Hollywood Community Housing Corporation	Loan for affordable housing project	2,750,000.00	644,277.00	644,277.00
7)	Employee Costs	Employees of agency	Payroll for employees	421,314.00	421,314.00	368,655.00
8)	Employee Leave Liability	Employees of agency	Leave liability for employees	136,795.00	136,795.00	136,795.00
9)	Operating Costs	Operation of agency	General operation costs	29,329.00	29,329.00	25,662.00
10)	Operating Costs	East Side Project Advisory Committee	Administrative and Meeting Expenses for Committee	21,000.00	21,000.00	17,500.00
11)	Area Revitalization Project	Food Lab loan	Revitalization program loan (Contract Date 03/10/2011)	25,000.00	25,000.00	25,000.00
12)	Public Works and Affordable Housing with the Redevelopment Project Area	City of West Hollywood	Cooperation Agreement for Construction of Public Works and Affordable Housing Projects	54,500,000.00	12,218,643.00	12,218,643.00
					-	-
	Totals - This Page			\$ 110,520,585.00	\$ 22,210,969.00	\$ 22,101,143.00
	Totals - Other Obligations			\$ -	\$ 1,836,108.38	\$ 1,836,108.38
	Grand total - All Pages			\$ 110,520,585.00	\$ 24,047,077.38	\$ 23,937,251.38

**HIGHLIGHT LEGEND:**

RED FONT	Auditor-Controller staff responsible for calculating Pass-Through and Administrative costs. No further work proposed.
RED FONT/GREY HIGHLIGHT	Potentially unenforceable obligation and requires County Counsel review. No further work proposed.
GREEN FONT	Auditor-Controller staff has verified the obligation exists and is valid. No further work proposed.
RED FONT/YELLOW HIGHLIGHT	CPA Firm please obtain documentation and forward to Auditor-Controller for County Counsel review. In addition, CPA firm is responsible for verifying the dollar amount of the obligation.
BLACK FONT/YELLOW HIGHLIGHT	CPA Firm to review validity and amount of obligation.



Name of Redevelopment Agency: West Hollywood Redevelopment Agency

Project Area(s) Eastside Project Area

Page 2 of 2 Pages

ATTACHMENT B-2

## OTHER OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 341174  
FISCAL YEAR 2011 - 2012  
(Unaudited - Aug 2011 - Jun 2012)

	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month
						Total
	Pass through agreement	Los Angeles County General	Per the Health & Safety Code	On-Going	618,369.25	\$ 618,369.25
1)	Pass through agreement	L.A. County Accum Cap. Outlay	Per the Health & Safety Code	On-Going	208.80	\$ 208.80
2)	Pass through agreement	Los Angeles County Library	Per the Health & Safety Code	On-Going	53,393.07	\$ 53,393.07
3)	Pass through agreement	Consolidated Fire Protection District	Per the Health & Safety Code	On-Going	321,106.78	\$ 321,106.78
4)	Pass through agreement	Los Angeles County Fire - FFW	Per the Health & Safety Code	On-Going	6,169.93	\$ 6,169.93
5)	Pass through agreement	LA County Flood Control Imp. Dist. Maint.	Per the Health & Safety Code	On-Going	4,913.36	\$ 4,913.36
6)	Pass through agreement	LA County Flood Control Maint.	Per the Health & Safety Code	On-Going	27,810.15	\$ 27,810.15
7)	Pass through agreement	Los Angeles County Vector Control	Per the Health & Safety Code	On-Going	684.59	\$ 684.59
8)	Pass through agreement	County Sanitation District No. 4 Operating	Per the Health & Safety Code	On-Going	13,543.36	\$ 13,543.36
9)	Pass through agreement	City -West Hollywood	Per the Health & Safety Code	On-Going	279,470.29	\$ 279,470.29
10)	Pass through agreement	West Hollywood Lighting Maintenance Dist.	Per the Health & Safety Code	On-Going	22,750.52	\$ 22,750.52
11)	Pass through agreement	West Basin Metropolitan Water District 1	Per the Health & Safety Code	On-Going	8,159.88	\$ 8,159.88
12)	Pass through agreement	County School Services	Per the Health & Safety Code	On-Going	2,590.00	\$ 2,590.00
13)	Pass through agreement	Children's Institutional Tuition Fund	Per the Health & Safety Code	On-Going	5,140.25	\$ 5,140.25
14)	Pass through agreement	Los Angeles City Community College Dist.	Per the Health & Safety Code	On-Going	55,273.46	\$ 55,273.46
15)	Pass through agreement	L.A. Comm. College Children's Center Fund	Per the Health & Safety Code	On-Going	571.53	\$ 571.53
16)	Pass through agreement	Los Angeles Unified School District	Per the Health & Safety Code	On-Going	406,957.78	\$ 406,957.78
17)	Pass through agreement	County School Services Fund-Los Angeles	Per the Health & Safety Code	On-Going	22.68	\$ 22.68
18)	Pass through agreement	Developmental Center for Handicapped Minors	Per the Health & Safety Code	On-Going	2,295.34	\$ 2,295.34
19)	Pass through agreement	Los Angeles Childrens Center Fund	Per the Health & Safety Code	On-Going	6,677.36	\$ 6,677.36
	<b>Totals - Other Obligations</b>			<b>\$ -</b>	<b>\$ 1,836,108.38</b>	<b>\$ 1,836,108.38</b>

### HIGHLIGHT LEGEND:

RED FONT	Auditor-Controller staff responsible for calculating Pass-Through and Administrative costs. No further work proposed.
RED FONT/GREY HIGHLIGHT	Potentially unenforceable obligation and requires County Counsel review. No further work proposed.
GREEN FONT	Auditor-Controller staff has verified the obligation exists and is valid. No further work proposed.
RED FONT/YELLOW HIGHLIGHT	CPA Firm please obtain documentation and forward to Auditor-Controller for County Counsel review. In addition, CPA firm is responsible for verifying the dollar amount of the obligation.
BLACK FONT/YELLOW HIGHLIGHT	CPA Firm to review validity and amount of obligation.

**County of Los Angeles  
Agreed-Upon Procedures Engagement  
Pursuant to the Redevelopment Agency  
Dissolution Bill (ABx1 26) of 2011  
Successor Agency  
City of West Hollywood, California**

**Comparative Asset Balance Schedule (Unaudited)**

	<u>As of January 31, 2012</u>	<u>As of June 30, 2011*</u>	<u>As of June 30, 201*</u>
<b>ASSETS</b>			
Cash and investments	\$ 13,258,595	\$ 12,303,802	\$ 17,913,281
Receivables			
Account	\$ 7,350	\$ 7,350	\$ -
Interest	-	33,340	47,625
Loans	4,449,300	4,449,300	2,493,049
Less: Allowance for loan forgiveness	<u>(4,449,300)</u>	<u>(4,449,300)</u>	<u>(2,493,049)</u>
Total receivables	7,350	40,690	47,625
Due from other governments	-	464,405	413,440
Deferred charges	-	903,827	207,609
Restricted assets			
Cash and investments with trustees	32,972,223	4,002,800	787,295
Capital assets (Net of depreciation):			
Improvements other than buildings	-	-	351,472
Land	<u>-</u>	<u>-</u>	<u>1,338,057</u>
Total capital assets	-	-	1,689,529
<b>TOTAL ASSETS</b>	<u><u>\$ 46,238,168</u></u>	<u><u>\$ 17,715,524</u></u>	<u><u>\$ 21,058,779</u></u>

\*Obtained from audited financial statements of the redevelopment agency for the fiscal years ended June 30, 2010 and June 30, 2011.



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Successor Agency – City of West Hollywood

The results of those procedures performed by the Auditor-Controller (A-C) are as follows:

Procedure B.1.a

Inspect evidence that the successor agency was established by February 1, 2012.

*Results*

No exceptions were noted as a result of performing this procedure.

Procedure B.1.b

Inspect evidence that the oversight board members were appointed and their names were submitted to the Department of Finance (Finance) by May 1, 2012.

*Results*

No exceptions were noted as a result of performing this procedure.

Procedure C.1

Obtain a copy of the draft Recognized Obligation Payment Schedule (ROPS) from the successor agency.

*Results*

No exceptions were noted as a result of performing this procedure.

Procedure C.2

Inspect evidence that the initial draft ROPS was prepared by March 1, 2012 by the successor agency.

*Results*

No exceptions were noted as a result of performing this procedure.

Procedure C.3

Determine if the certified draft ROPS was approved by the oversight board. If the certified draft ROPS was not approved by the date of this report, note as a finding.

*Results*

No exceptions were noted as a result of performing this procedure.

Procedure C.4

Determine if the draft ROPS was submitted to the County A-C, State Controller, and Finance.

*Results*

No exceptions were noted as a result of performing this procedure.

Procedure E.1

Obtain a copy of pass-through payment agreements from the successor agency.

*Results*

No exceptions were noted as a result of performing this procedure. The successor agency does not have any contractual pass-through agreements.

Procedure E.2

Obtain a list of pass-through obligations from the successor agency as of January 31, 2012, including the recipient and terms of each pass-through obligation.

*Results*

No exceptions were noted as a result of performing this procedure. The City of West Hollywood Successor Agency provided a list of all pass-through obligations between July 1, 2011 and January 31, 2012.

Procedure E.3

Obtain a list of pass-through payments made between July 1, 2011 and January 31, 2012 and verify payments.

*Results*

The City of West Hollywood Successor Agency provided a list and verification of pass-through payments made for the period July 1, 2011 and January 31, 2012. In addition, the A-C distributed the County share of statutory pass-through payments for the period November 1, 2011 to January 31, 2012. The total pass-through payments made are as follows:

<b>Pass-through Taxing Entity</b>	<b>Pass-through Amount Paid</b>
County	\$111,367.13
County Entities	85,749.59
City	386,767.59
Special Districts	469,224.12
Schools	651,237.87
<b>TOTAL</b>	<b>\$1,704,346.30</b>



COUNTY OF LOS ANGELES  
OFFICE OF THE COUNTY COUNSEL

648 KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET  
LOS ANGELES, CALIFORNIA 90012-2713

JOHN F. KRATTLI  
County Counsel

August 13, 2012

TELEPHONE  
(213) 974-1921  
FACSIMILE  
(213) 617-7182  
TDD  
(213) 633-0901

TO: WENDY WATANABE  
Auditor-Controller

FROM: JUDY W. WHITEHURST  
Assistant County Counsel  
Government Services Division

RE: Legal Analysis of West Hollywood City-Agency Loans

Pursuant to your request, our office conducted a legal analysis to supplement the agreed-upon procedures audit conducted pursuant to Health & Safety Code section 34182(a). Specifically, you requested that we review two loans between the City of West Hollywood ("City") and the West Hollywood Community Development Commission ("Former Agency") listed on a draft Recognized Obligation Payment Schedule ("ROPS") to determine whether each is an "enforceable obligation" pursuant to ABx1 26 (Chapter 5, Statutes 2011) as amended by AB 1484 (Chapter 26, Statutes 2012). We have consulted with outside counsel and concur with their findings.

**Findings**

1. Item No. 12 on the West Hollywood ROPS, a Cooperation Agreement ("Agreement") between the City and the Former Agency, authorizes the Former Agency to pay the City \$54,500,000 for costs incurred in constructing public works and affordable housing projects. The Agreement is not an enforceable obligation under ABx1 26.

2. Item No. 4 on the West Hollywood ROPS, a loan agreement ("Loan Agreement") between the Former Agency and the City obligates the Former Agency to pay \$25,750 for administrative expenses, overhead and housing loans. The Loan Agreement is an enforceable obligation under ABx1 26.

**Discussion**

**A. Cooperation Agreement (Former Item 12)**

The Cooperation Agreement ("Agreement") between the City and the Former Agency appeared as Item 12 on a draft West Hollywood ROPS and identified an outstanding obligation of \$54.5 million associated with various public works and affordable housing projects listed in Attachment 1 of the

Agreement. The Agreement was authorized by the Former Agency on January 18, 2011 pursuant to Resolution No. 11-053.

The Agreement is invalidated by Health & Safety Code sections 34171(d)(2), 34178(a) and 34189(a). In defining "enforceable obligations," section 34171(d)(2) excludes "agreements, contracts, or arrangements between the city, county, or city and county that created the [Former Agency] and the [Former Agency]." Section 34178(a) states that "agreements, contracts, or arrangements between the city . . . that created the [Former Agency] and the [Former Agency] are invalid and shall not be binding on the successor agency." The recitals contained in the Agreement cite section 33445 as authorization to pledge available tax increment to reimburse the City for its development costs – a provision invalidated by Health & Safety Code section 34189(a): ". . . all provisions of the Community Redevelopment Law that depend on allocation of tax increment to redevelopment agencies, including, but not limited to, Section 33445 . . . shall be inoperative . . ." The above-referenced sections 34171(d)(2), 34178(a) and 34189(a) were not amended by AB 1484, and construed together, they establish a policy of invalidating Former Agency-City agreements, especially those involving tax increment revenues collected by the Former Agencies. Therefore, the Agreement is not an enforceable obligation.

#### **B. Loan Agreement (Former Item 4)**

The draft West Hollywood ROPS also included a Loan Agreement between the City and the Former Agency for \$25,750 for administrative expenses, overhead, and housing loans of the Former Agency. The original agreement authorizing the loan between the City and the Former Agency was executed pursuant to Ordinance No. 96-003 on June 3, 1996 – two months after the creation of the Former Agency.

As a general matter, ABx1 26 directs Successor Agencies to exclude from their ROPS Former Agency-City agreements unless they are executed contemporaneously with the issuance of an indebtedness obligation or are agreements entered into within two years of the creation of the Former Agency. See Health & Safety Code section 34171(d)(2). Documents originally submitted did not include the original 1996 loan agreement or Ordinance No. 96-461, which created the Former Agency on April 1, 1996. Upon consideration of the documentation provided in connection with a letter from the Successor Agency dated August 6, 2012, we believe the Loan Agreement falls within the two-year exception. Thus, the Loan Agreement is an enforceable obligation.

JWW:SC:vcv



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ [WWW.DOF.CA.GOV](http://www.dof.ca.gov)

May 31, 2012

John Leonard, Project Development Administrator  
City of West Hollywood  
8300 Santa Monica Blvd.  
West Hollywood, CA 90069

Dear Mr. Leonard:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of West Hollywood Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 21, 2012 for the periods of January to June 2012 and July to December 2012. Finance is assuming oversight board approval. Finance has completed its review of your ROPS which may have included obtaining clarification for various items. Based on our review, we are approving all of the items listed on your ROPS at this time.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. In addition, items not questioned during this review are subject to subsequent review if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at [http://www.dof.ca.gov/assembly\\_bills\\_26-27/view.php](http://www.dof.ca.gov/assembly_bills_26-27/view.php) for the amount of RPTTF that was approved by Finance.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL  
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County Auditor Controller's Office